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PORTUGAL

Portuguese security chief General Otelo de Carvalho, one of the members of the ruling triumvirate, yesterday criticized both factions in the struggle for power between pro-Communist Prime Minister Goncalves and dissident officers in the Armed Forces Movement. Instead of taking sides, he offered his own radical plan for putting the "revolution" back on course.

There is not yet enough information to estimate whether Carvalho sees his plan primarily as a vehicle for taking power himself or as an alternative program to which all the warring factions of the Movement could rally.

Carvalho revived the idea of bypassing both the Communist and non-Communist political parties with popular organizations avowedly intended to forge "direct links" between the military and the people. A similar proposal, when advocated by the armed forces general assembly in July, was widely criticized and was a major factor contributing to the Socialists' withdrawal from the coalition government. Their withdrawal, in turn, precipitated the present crisis.

The Carvalho alternative was presented at a hastily called meeting of military officers, including the three regional commanders, heads of certain military units, and representatives of the Movement—a group that reportedly numbered about 100. Press reports indicated that at least three of the nine dissidents responsible for the antiregime document now circulating in the armed forces were at the meeting. His proposal is not likely to gain much support among the dissidents, but it may appeal to apolitical officers who see the current crisis as a partisan fight between Communists and non-Communists.

Carvalho, who many of the dissidents thought was on their side, by suggesting an alternative plan will probably divide the Movement even further and complicate Portugal's effort to sort itself out politically. His move, no matter what his motives, will sap the dissidents' backing.

From all indications, the dissidents led by former foreign minister Antunes are still collecting signatures for their petition. One late report suggests the dissidents have not yet presented their petition to President Costa Gomes, as had been reported. If the dissidents do not make their move soon, they are likely to lose the momentum that still appears to be in their favor. Support is coming even from unexpected sources. For example, the Lisbon light artillery regiment, considered the most radical unit in Portugal, split between supporters of the manifesto and those against it.

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These divided loyalties within the military will make public order all the more difficult to maintain. Rival civilian demonstrations are scheduled in Lisbon today. One extreme left-wing group that uses anti-American slogans to attract support is sponsoring a march that will terminate at the US embassy.

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PHILIPPINES - NORTH VIETNAM

President Marcos has formally apologized to the United States for the joint communique establishing diplomatic relations with Hanoi. He stated that the Philippine representative had no authority to sign it and that it is therefore invalid.

The communique, which was signed in Hanoi on August 7 and broadcast publicly by the North Vietnamese two days later, contains several provisions unacceptable to the US:

--Manila promises not to let the US use Philippine territory "to oppose the Vietnamese people."

--Manila affirms that all property belonging to the former Saigon government should be returned to the new communist regime.

--Manila affirms that no Vietnamese "lured or forcibly taken out of Vietnam" are in the Philippines.

Marcos told Ambassador Sullivan on August 13 that he will instruct the Philippine ambassador in Paris to inform his Vietnamese counterpart that Manila regards the communique as invalid and that negotiations for diplomatic relations are to continue on the basis of the status quo ante. Marcos said Manila will inform its partners in the Association of Southeast Asian Nations about what has happened, and is ready to give the US whatever assurances are needed that no former South Vietnamese equipment will be returned to Vietnam. The North Vietnamese have already used the communique to criticize Thai refusal to return such equipment.

Marcos is aware that Hanoi will try to hold Manila to the communique and will probably not be willing to resume negotiations. He also assumes that Vietnamese propaganda will publicly accuse Manila of buckling under to US pressure and reneging on a signed agreement. The communique debacle is an acute diplomatic embarrassment, and Marcos is likely to suffer a setback in his campaign to establish his nonaligned credentials and erase Manila's image as a US client.

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CAMBODIA

Phnom Penh has named two more leading communists who reside inside the country as deputy prime ministers, further eroding the position of Prince Sihanouk and his supporters in the leadership structure.

According to an announcement from radio Phnom Penh on August 12, widely traveled Ieng Sary, who probably holds a top position in the Khmer Communist Party, is deputy prime minister for foreign affairs. Up to now, Foreign Minister Sarin Chhak, who is a Sihanouk loyalist and is based in Peking, has handled most foreign contacts for the new communist regime. Son Sen, a member of the central committee of the Khmer Communist Party and former chief of staff of the Cambodian People's National Liberation Armed Forces, is the new deputy prime minister for national defense affairs.

Although the announcement did not refer to Deputy Prime Minister and Defense Minister Khieu Samphan, nothing in the new appointments suggests a downgrading of his position. Khieu, more likely, has been playing the role of Cambodia's actual prime minister. The aging Penn Nouth, who holds the title, remains in China and appears to play no part in affairs of state.

According to an NCNA broadcast, Khieu Samphan plans to make an official visit to China beginning tomorrow, accompanied by Ieng Sary. The Cambodian leaders may wish to confer with the Chinese to balance the recent visit of a high-ranking North Vietnamese delegation to Cambodia. They could also intend to meet with Sihanouk, if he returns to China from North Korea.

Additional evidence of Ieng Sary's prominence is the fact that he will head the Cambodian delegation to the foreign ministers' conference of nonaligned countries to be held in Peru in late August. Sarin Chhak will serve as his deputy. Other delegation members will include Chan Youran, Cambodia's ambassador to Senegal; Thiounn Prasith, an official at the Royal Government of National Union embassy in Peking; and two other unidentified National United Front of Kampuchea Politburo members. There has been no indication of any plan to include Sihanouk in the delegation. Attendance at the nonaligned conference will mark Cambodia's first participation in an international event since the communists came to power in April.

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NIGERIA

The new military government has appointed panels to examine the feasibility of relocating the federal capital from overcrowded Lagos and whether additional states should be created within Nigeria's federal system. With this swift action, the regime has given the impression of forward movement on domestic problems.

Head of state Brigadier Muhammed, a northerner, has not committed himself on either issue, presumably because both involve tribal interests and are politically sensitive. The capital, for example, is now located in a predominantly Yoruba state in the southwestern corner of Nigeria. Northerners and minority peoples in the central part of the country favor moving it farther north.

The disparity in the size and wealth of Nigeria's 12 states has been an even more serious source of complaint among minority tribes and some groups within the larger tribes. These elements regard the creation of more states as a means of gaining a stronger voice in the federal system.

The establishment of more states would provide the new regime an opportunity to assign additional governorships to aspiring military officers. The government would, however, run the risk of opening a Pandora's box of agitation for the creation of numerous tribal-oriented, economically weak mini-states.

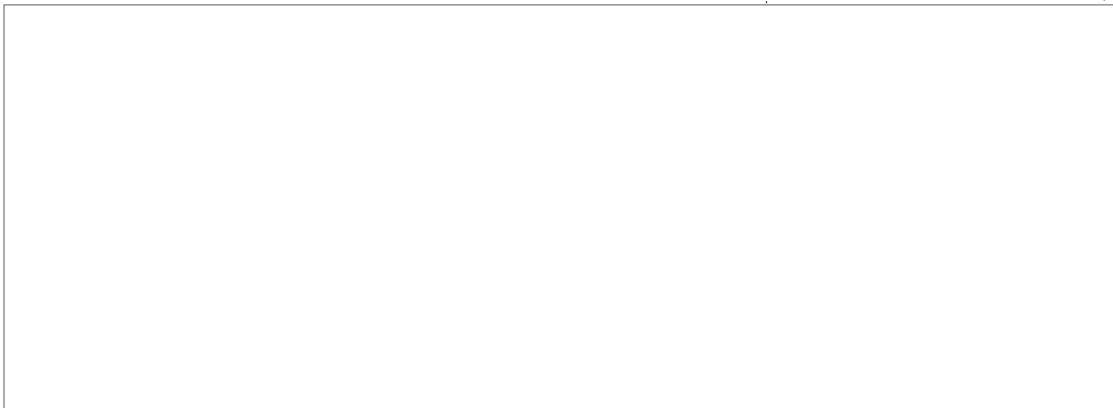
The present system of six northern and six southern states dates from 1967, when former head of state Gowon replaced the four existing regions. The political balance Gowon provided among Nigeria's competing regional and tribal interests was one of his main achievements. Rivalry between the regions during the early 1960s had been responsible for the breakdown of civilian rule, two military coups, and a civil war.

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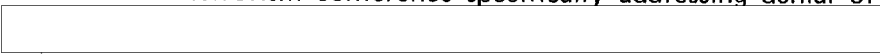
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JAPAN

The Japanese Red Army's latest terrorist incident on August 4 in Kuala Lumpur, Malaysia, is causing increased international resistance to such acts.

Although those terrorists were successful in their goals, international reluctance to grant them asylum, particularly in nonaligned countries, was noteworthy. They were accepted reluctantly by Libya after two days of hesitation, and then only for "humanitarian reasons." Although the Popular Front for the Liberation of Palestine supports the Japanese Red Army, most Middle East countries declined to harbor the terrorists. Moreover, many even refused them flight clearance en route to Libya.

Several countries have called anew for increased international cooperation to control terrorism, greater use of INTERPOL, and more airport security. Japan is particularly sensitive to such incidents, and Tokyo can be expected to press for international solidarity in refusing to negotiate with terrorist groups during any future incidents of a similar nature. Yesterday, Prime Minister Miki suggested holding an international antiterrorism conference specifically addressing denial of "safe havens." 

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FRANCE

President Giscard has approved plans to reorganize the French nuclear industry that will allow the French government to exercise greater control while limiting the involvement of US companies.

Under the plan, the French capability for constructing nuclear power stations will be concentrated in Framatome, a Westinghouse licensee. At the same time, the French government is applying pressure on Westinghouse to convert its license agreements into cooperation pacts. Giscard has also asked the French Atomic Energy Commission to buy into Westinghouse's 45-percent share of Framatome.

All of these measures will enhance French control of the conventional nuclear reactor business by concentrating the capability for this construction in a company that will be dominated by French interests. The reorganization may put Framatome's only domestic competitor, a General Electric licensee, out of business.

The move should prove an effective response to recent media criticism that the nuclear industry has been undergoing "quasi-colonization" by the US, but Paris still is in no position to declare French independence in technologies that are considered vital to modern military and economic power. Last year, France had to consider whether to withdraw from or to continue support for the European space program—and specifically for the costly Ariane space launcher—which would draw funds from France's own space agency budget. Giscard opted for the European program on the grounds that it is the only viable means of achieving a European capability to build and launch operations satellites without relying on the US or the USSR.

In May, Giscard ended a bitter 12-month debate by approving the merger of France's largest independent computer firm, CII, with the US-dominated Honeywell-Bull organization. An independent French computer capacity has been a Gaullist article of faith since the mid-1960s. The left opposition too has accused Giscard of selling out to the US. Giscard responded by stressing that France would maintain a clear majority—53 percent—in the new company and would have the power to veto policies not in the French interest. Improved access to the US market, moreover, would mean that the company could eventually become a profit-making concern, instead of a constant drain on the public purse, thus saving jobs.

The three decisions—"European" for the space program, "US" for the computer industry, and "French" for the nuclear industry—have a common thread. In each case, Giscard demonstrated flexibility and pragmatism in choosing the course that would best ensure the advancement of French capabilities in the strategic high technologies.

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ISRAEL

The Israelis have begun constructing additional Reshef-class guided-missile patrol boats. The US naval attache in Tel Aviv recently observed work on three of the boats at a shipyard in Haifa; he estimated that the first of them would be launched within three months. The attache was told that Tel Aviv has no plans at this time to produce any of the boats for export.

Israel has built six Reshef-class boats during the past two years, and funds for the construction of six more have been authorized. The Reshef is a larger version of the French Saar-class guided-missile boat and is more heavily armed. It has also been modified to permit long-range operations at sea.

The Reshefs, which saw combat during the October 1973 war, can carry as many as eight Gabriel antiship missiles. Israel produces two versions of this missile—one with a range of about 22 miles and the other about half that. Four of the boats currently are stationed at Sharm ash Shaykh in southern Sinai, from where they can patrol the entrance to the Red Sea. The other two boats are stationed in the Mediterranean. [REDACTED]

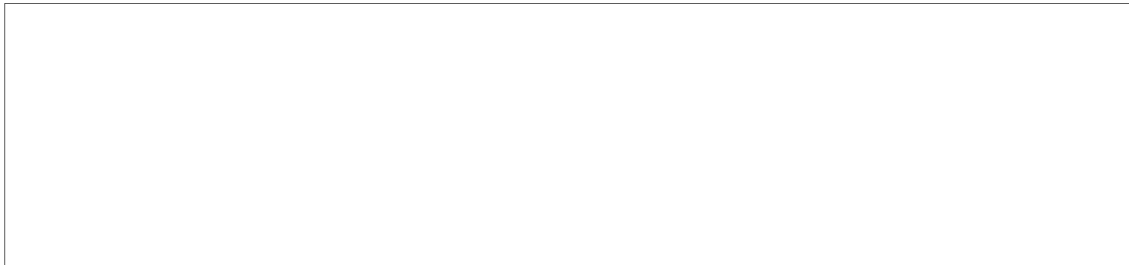
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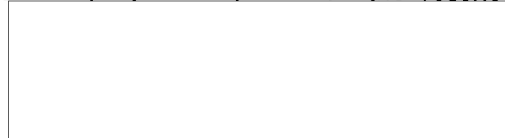


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EGYPT: A higher council for nuclear power, headed by President Anwar Sadat, has been established, according to the Cairo press. The council is to formulate plans for Egypt's nuclear energy development and perhaps the eventual achievement of a nuclear weapons capability. The Egyptians do not have the capability to develop nuclear weapons with their own resources. Establishment of the council at this time suggests this is mainly a propaganda ploy in response to the recent publicity on Israel's nuclear capability.

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ANNEX

Australian Defense Posture

The Labor government's stewardship of Australia's defenses has been both controversial and nationalistic. Labor set out in 1972 to forge a new defense posture predicated on a restructured defense relationship with Australia's traditional allies, greater domestic industrial participation in meeting defense needs, centralization and streamlining of the higher defense apparatus, economy, and conversion to a peacetime armed forces capable of rapid expansion. The basic premise of the government's defense policy is that Australia faces no serious threat to its security for the next 15 years.

Labor's Defense Program

Since coming to power in 1972, Prime Minister Whitlam has reduced Australia's identification with US security policies, has restructured defense arrangements with the US and the Commonwealth, and has adopted a more visible role in regional affairs. The government has also redefined its military pacts to avoid automatic involvement of Australian forces. The Australia - New Zealand - US (ANZUS) Treaty is accepted as the basic security guarantee, but planners envision its invocation only if Australia is attacked directly. US base and facility agreements have been restructured, consistent with revived Australian nationalism.

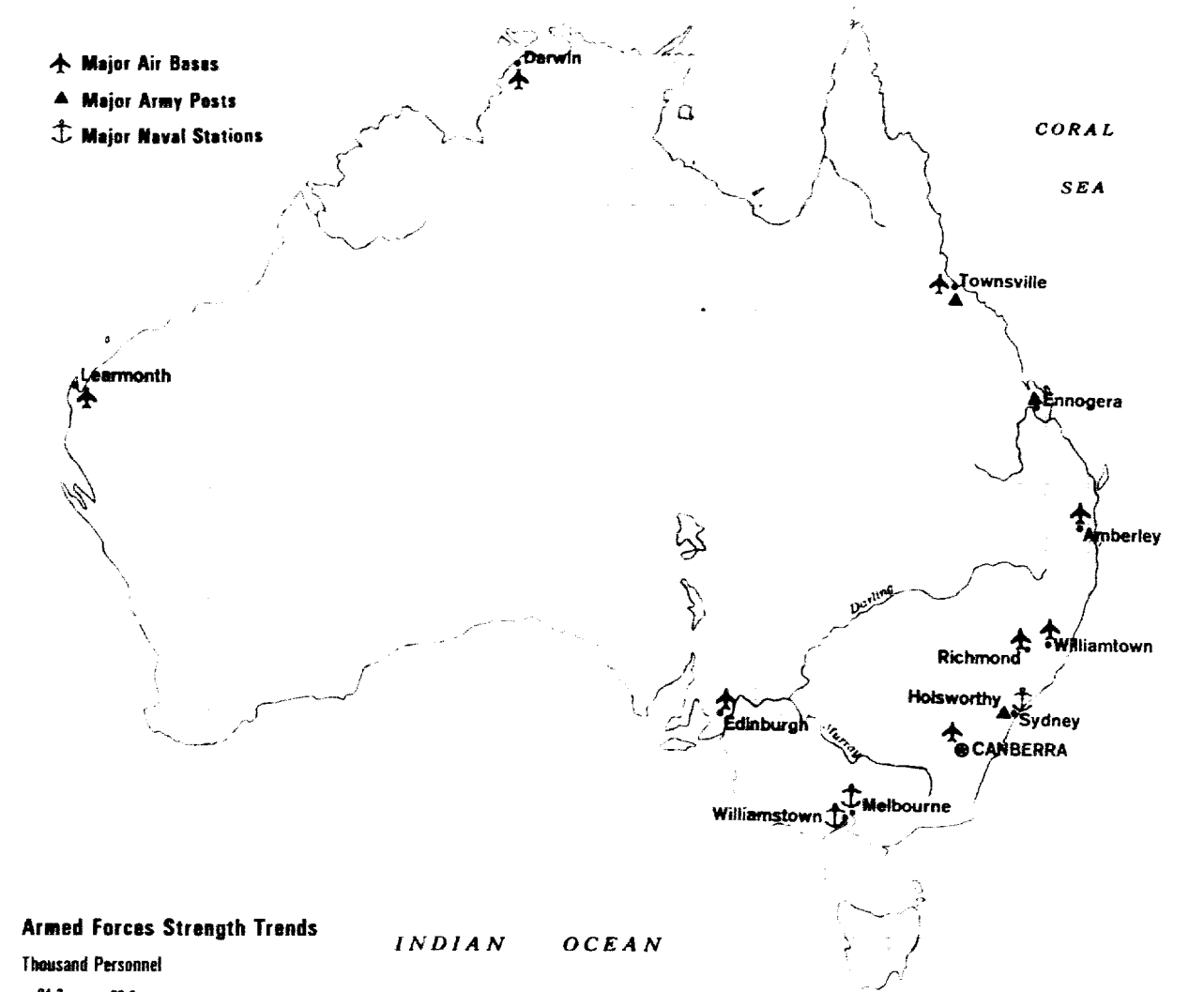
The Laborites have pursued programs designed to cut back defense expenditures in the interest of economy and to improve and modernize the entire military industrial infrastructure over the next 15 years under a "total-force" concept. Although a number of defense programs have been implemented over the past two years, progress toward greater self-reliance has been limited and the defense policies are generating considerable domestic debate over the deterioration of military capabilities.

Defense Minister Morrison, who succeeded Lance Barnard in June, has shown more sensitivity to the defense debate than did his predecessor. Morrison has publicized a number of recent projects that stress greater self-reliance and defense of Australia, including a restructuring of military training curricula toward problems of continental defense and the disclosure of plans for the procurement of sophisticated weaponry.

Defense Reorganization

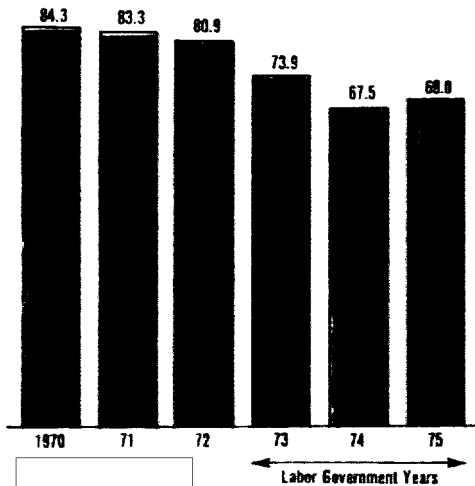
The reorganization of the Australian Department of Defense is probably Labor's most controversial endeavor. It has involved the dissolution of the service departments, meshing of Supply with the new Department of Manufacturing

Australian Defense Posture



Armed Forces Strength Trends

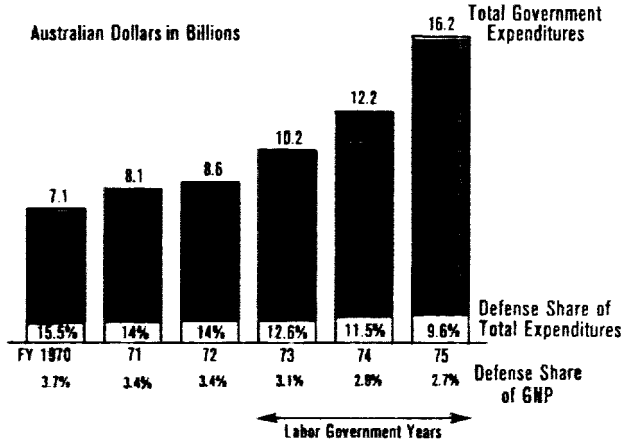
Thousand Personnel



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Australian Defense Expenditures

Australian Dollars in Billions



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Industry, and the centralization of service functions in the Defense Department staff. The final phase, to be completed by November this year, will be the creation of the position of chief of Defense Force Staff to replace the chairman, Joint Chiefs of Staff Committee (JCSC).

The objectives of the reorganization are to provide more efficient personnel and supply management, to ensure central control of operations, and to produce greater economy in defense spending. Some 5,000 civilian positions have been abolished so far, and the command structure has been streamlined. Although rising unemployment in the domestic economy and Labor-enacted improved service pay and allowances have enabled the government to maintain satisfactory strength levels, over 1,000 officers—about 10 percent of the officer corps—have left the armed forces since 1972. The departures, mostly from field-grade ranks, have included competent staff and technical officers, causing a serious reduction in technical expertise and morale.

The most controversial aspects of the reorganization are the role of civilians in military management and the apparent diminution of service chiefs' responsibilities. Most management functions have been resubordinated from the service chiefs and the chairman, JCSC, to senior civilians under the control of the defense secretary. The new chief of Defense Force Staff will assume command authority and be the principal military adviser to the government. Although the service chiefs will lose much of their control over personnel, logistic, and procurement activities, they will gain enhanced command authority under the chief of Defense Force Staff.

Another facet of Whitlam's defense policy involves reorganizing and upgrading Citizen's Military Force and several smaller reserve organizations into the Australian Army Reserve. The Citizen's Military Force comprises two divisions and has a total enrollment of about 25,000 personnel, who receive two weeks of active duty training each year.

Defense Budget

During the fiscal year ending on June 30, 1975, the government spent \$2.05 billion on defense. That represents 9.5 percent of total government expenditures and 2.7 percent of the gross national product, substantially lower than the 3.5 percent of GNP that Labor promised to spend when it came to power.

Over 60 percent of defense spending is devoted to helping servicemen and civilians remain abreast of inflation; about 5 percent is devoted to procuring new equipment. Spending patterns do not yet bear out the expressed policies of modernizing the armed forces and expanding the defense industrial infrastructure.

AUSTRALIAN FORCE COMPARISON TABLE
(Selected Years)

<u>Army</u>	<u>1970</u>	<u>1973</u>	<u>1975</u>
Infantry Division Hq.	1	1	1
Infantry Battalions	9	9	6
Armor Battalions	1	1	1
Artillery Battalions	4	4	3
Cavalry Battalions	1	1	1
Antiaircraft Artillery Battalions	0	1	1
Aircraft	64	81	77
<u>Navy</u>			
Ships			
Aircraft Carriers	1	1	1
Destroyer/Escorts	12	13	12
Submarines	4	4	5
Gunboats	20	20	14
Mine Countermeasures	6	6	4
Aircraft			
Fighter-bombers	8	12	11
Antisubmarine Warfare Aircraft	21	27	27
Transport, Utility, Helicopters	31	33	17
<u>Air Force</u>			
Attack Aircraft	0	0	24
Fighter Aircraft	134	97	60
Bomber Aircraft	13	11	11
Antisubmarine Warfare Aircraft	20	22	22
Transports, Helicopters, Utility, Trainers	316	299	308
Early Warning Radars	3	3	3
	Height of Vietnam Involve- ment	Liberal Country Govern- ment	Labor Govern- ment

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Defense Industries

Expansion of domestic defense production is a key government objective. The total needs of the armed forces, however, are not sufficient to make a more extensive and sophisticated defense industrial base economical. Consequently, the prospect of attaining this goal is remote, and the armed forces will continue to be dependent on foreign sources for arms.

The defense industrial base—government and privately owned—constitutes 13 munitions plants, 3 major shipyards, and 3 major aircraft factories—all that is left of the some 140 plants in operation during World War II. These, plus other private industrial firms, are capable of producing a wide range of vehicles, ordnance, small arms, some radio equipment, patrol craft, light aircraft, and major surface combatants. Most sophisticated systems and technical equipment must be purchased abroad.

Defense Capabilities

In the past, Australia has always had access to the military industrial complex and supply system of an ally—either the UK or the US. Without such access, the ability of Australian forces to defend their own territory is questionable. The Australian armed forces have no rapid reaction capability, and in outlying areas would have difficulty maintaining a fighting posture. They are not armed, trained, or organized to respond quickly should protection of Australian interests in Asia be required.

The Army

Conversion to a peacetime army and the termination of conscription resulted in an almost immediate 25-percent drop in personnel strength and a reduction of ground force units. Still, the strength of the army is greater than at any time since World War II, except during the Vietnam era.

Although all combat elements are seriously understrength, the army retains a wide range of support units, a well-developed infrastructure, and training facilities suitable for large-scale mobilization. Army strength is just over 31,300, but the officer corps is being maintained at a level to staff an army of 36,000 men.

Training is basically at the battalion level, and the army is no longer able to conduct effective brigade- or division-echelon operations. In addition, much of the experience gained in Vietnam is being dissipated rapidly by the high level of officers who are retiring or leaving. The army is deficient in antitank weapons, reconnaissance and armor equipment, and artillery. At full mobilization, the army would be seriously deficient in combat and support units.

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The Navy

The navy has not suffered from many of the personnel problems affecting the army because it has always been a volunteer service. Its basic weakness is its size relative to the area of operations, which extends to Hong Kong. The 16,200-man navy has 13 surface combatants—the average age is 15 years—and 5 submarines. Anticipating an aging inventory of combatants during the 15-year strategic assessment period, the government has ordered refitting and modernization to extend ship life. Aside from two new patrol frigates ordered from the US, no additional ship purchases are planned.

Ship readiness is high, though budget constraints have forced reductions in training. Seaward defense capabilities in the southeast are generally good, but elsewhere they are marginal. The navy has no amphibious assault capability, no ship-to-ship missiles, and its ship-borne antisubmarine warfare capabilities are limited.

The 2,000-man navy air arm remains dependent on the air force for training and support and has a poor pilot-to-aircraft ratio. It has no all-weather capability, and its aircraft are not well suited to defend Australia's aircraft carrier. Antisubmarine warfare capabilities are hampered by the reluctance of the Australians to use submarines in training.

The Air Force

The air force also is an all-volunteer force. The 21,500-man air force has 425 aircraft, and major tactical units comprise one reconnaissance, two attack, and three fighter squadrons. Although the caliber of personnel and training is comparable to the US, the air force is too small for a country of Australia's size. Two thirds of the fighter force is in Malaysia, while the remainder are concentrated at east coast bases. Other problems include a limited early warning ground-controlled intercept capability, the absence of a land-based air-defense missile system, and shortages in air-defense artillery. Antisubmarine warfare reconnaissance capabilities, although limited, will be upgraded by the acquisition of eight P-3 Orions ordered from the US in 1975.

The main impact of the Whitlam government on the air force has been the consolidation of its support infrastructure. Allocation of aircraft maintenance contracts to private industry has resulted in an overall deterioration in maintenance, especially for transport aircraft. The air force remains heavily dependent on foreign equipment sources.

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Conclusions

The Labor government's progress toward establishing a more self-contained defense force is being hampered by its own tight-fisted spending patterns and by persistent weaknesses in the defense establishment, heretofore offset by the nation's close ties to the US and the UK. Greater economy and efficiency have apparently been injected into defense management, but the costs and technological requirements of the comprehensive improvements advocated by the government appear more than any government can justify as long as it contends that there is no threat. The government's policies are resulting in a reduced capacity to deter regionally destabilizing influences and to participate fully with its allies in military contingency operations and training. [REDACTED]

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